

WEST RAND DISTRICT MUNICIPALITY



REVENUE ENHANCEMENT STRATEGY OF THE WEST RAND DISTRICT MUNICIPALITY

OCTOBER 2017

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1. INTRODUCTION

The purpose of the document is to provide framework of resolving the deep seated financial challenges that undermine service delivery of the West Rand community. The document may require annual adjustment based on the changing socio economic and political environment. Adjustments may be minimal unless the current national government funding formula changes. In terms of the local government financial reforms as led by the introduction of the Municipal Financial Management Act (MFMA) (56 of 2003) introduction in 2004. Municipalities are expected to be financially sustainable in the foreseeable future. This of the result that the reduction of RSC levy grant which is expected to be used for service delivery projects and other operations.

The document does not respond to the possibility stated above which will be catastrophic to West Rand. If the municipality were to respond to a scenario, fundamental changes on improving the powers and functions of the municipality would be effected. The restoration of powers and function will have to be followed by the improved funding for a medium term improved capacity building on operations and bulk services.

2. BACKGROUND

The functions of the WRDM are established under the Municipal Structures Act as amended in 2000. This Act clause 84 set up a list of functions to be performed by districts. There was little sector specific policy which informed the way these functions were divided local and district municipalities. However it is evident that the legislators had in mind district municipalities which should perform the major local government service delivery function namely: water supply, sanitation, electricity and district roads.

The WRDM is the successor in law of the Western Gauteng Regional Services Council. The main source of revenue was the Regional Services Levies (RSC Levies) which was adequate to sustain the operational costs and capital costs. The RSC levies was since abolished and replaced with RSC Replacement Grant.

It should be noted that the functions performed by Western Gauteng Regional Services Council were far less than those performed by its successor WRDM which after the promulgation of the Local Government Structures Act section 117 of 1998 assumed some of the functions which were formally performed by the respective constitute local municipalities around the region such as fire fighting services and municipal health services. Additional to that the provincial Government assigned the function of Disaster Management to the district municipality in terms of section 43 of the Disaster Management Act, act 57 of 2002 as amended.

3. PROBLEM IDENTIFICATION

The role of district and their economic impact is strongly influenced by the way they are financed: the way is applied strongly influences the development impact of an organisation which is allocated a function, whatever the sphere or tier of government.

There are three (3) main mechanisms through which were funded:

- 1) Raising tariffs for services they provide;
- 2) Raising levies from businesses in their area. The former RSC levy which was a levy charged to businesses in the area of the district;
- 3) Receiving transfer from government primarily Equitable Share from National Treasury.

The WRDM experience challenges in raising revenue through tariffs. And as a result district have become largely grant funded bodies. The 95% of the revenue are through the National Fiscus.

The District municipality is currently experiencing serious financial difficulties perpetuated inter alia by unfunded mandates such as Disaster Management and the non-allocation of equitable share for the provision of fire fighting and municipal health services.

4. RECOMMENDED SOLUTIONS

REVIEW OF THE FUNDING MODEL

Section 83(3) of the Local Government: Municipal Structures Act of 1998 provides that the District municipality must seek to achieve the integrated, sustainable and equitable social and economic development of its areas as a whole by amongst others promoting the equitable distribution of resources between the local municipalities in its area to ensure appropriate levels of municipal services.

It is therefore recommended that the entire funding model for the district municipality be reviewed taking into account specific powers and functions parameters.

EQUITABLE DISTRIBUTION OF FUNDS

The observation in the establishment of municipalities is there are noticeable similarities in how the metropolitan municipalities and district municipalities are arranged, the composition of metropolitan municipalities is made up of a number of parts which were previously standalone municipalities and composition of district municipalities is made up of a number of local municipalities grouped together in their particular area of the jurisdictional area to form that district municipality.

It is there recommended that the District municipalities be granted further funding separate from the equitable share or the RSC levy Replacement Grant of the municipality be increased to cover unfunded mandates in order to enable the municipalities to perform their direct legislative and supportive role to local municipalities.

RESTORATION OF POWER AND FUNCTIONS

Section 84 of the Local Government: Municipal Structures Act of 1998 allocates powers and functions to the district municipality. Section 85 of the same act empowers the MEC for local

government in a province to adjust the division of these powers and functions. In the year 2000 the MEC for local government in Gauteng pursuant to section 85 adjusted the powers and functions allocated to the district municipality and local municipalities. That adjustment had a serious impact to the district revenue streams as some of the functions were allocated to the local municipalities.

The MEC responsible for local government in the Gauteng province recently in December 2016 restored the powers and functions as prescribed in Sec 84 (1) of the Municipal Structures Act to the West Rand District Municipality and therefore these restoration of powers and functions will equally require that additional grants be allocated to the municipality to adequately assist the institution to meet its mandate

5. CONCLUSION

This proposed strategy will go a long way in contributing to the West Rand District Municipality efforts to remedy the considerable financial charges and social changes facing the municipality and the West Rand Region as whole.

This revenue enhancement strategy will be reviewed annually as municipal and socio economic conditions changes continuously